



bill did not receive a hearing even with a number of Democrats supporting it.

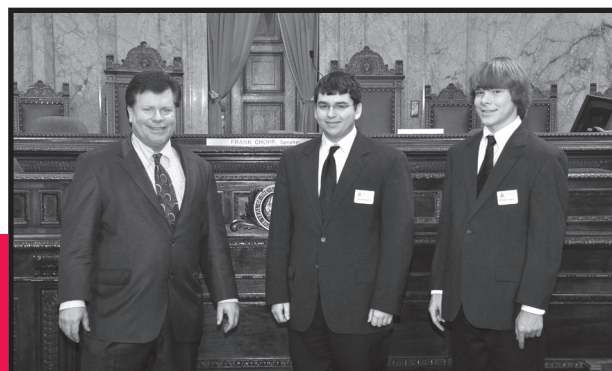
I also sponsored House Bill 2920, which would have “smoothed out” the impending \$690 million unemployment insurance rate increase scheduled for 2011. Washington’s unemployment insurance rates are the **second highest nationally**, and offer the **fifth highest benefits in the nation**.

My proposal would have simply spread the increase over several years to give our employers a short respite, although they would still see their rates increase every year. This bill received a hearing in January, but did not make it out of committee.

Critical reforms to state agencies and the cost of employees need to be addressed. We all want the safety net programs left intact, and my bills would have done that, but the Legislature needs to be more sensitive to how all tax increases impact job creation and retention.

OTHER QUICK BUSINESS CLIMATE FACTS:

- Washington has the **highest minimum wage** in the nation at \$8.55 per hour. Unfortunately, the number of people at the poverty level increases each time the minimum wage increases because entry level jobs disappear.
- Washington has a unique gross receipts tax, Business and Occupation Tax, which taxes employers whether they make a profit or not. **Most competitiveness studies that rank Washington “low” on the tax end do not even acknowledge this tax, so it is not calculated in the results.** This skews the results in our favor.
- Washington has some of the **highest payroll taxes** in the nation.



Rep. Cary Condotta with legislative pages Micah Murphy and Michael Yunker. Students in the 12th Legislative District ages 14 to 16 can apply for the week-long page program in Olympia.

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12th Legislative District

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- Finance
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State Representative Cary Condotta



12th Legislative District

May 2010

Greetings to everyone in the 12th District,

Thank you for allowing me to serve you in the Legislature again this year. Your feedback and input on the many proposals debated this year were crucial. In this session review, I cover some of the key “hits and misses” of the 2010 legislative session, but if there are other issues you have questions about please feel free to contact me at the district office.

The 60-day regular legislative session ended without a supplemental budget, so the governor called a special session, which lasted the full 30 days. After months of inaction on the spending gap of \$2.8 billion, Democrat leaders passed an \$800 million tax package on the final day of the special session. I have outlined the tax increases in this update. There was bipartisan opposition to the tax hikes, but Democrats hold majorities and passed the tax bill with a simple majority vote.

I was extremely disappointed the only solution on the table for majority party was a tax increase. I had hoped the economic situation facing our state would encourage state leaders to come to the table to discuss government efficiencies and reforms House Republicans proposed. Instead, critical taxpayer protections were repealed and the majority party focused solely on new and increased taxes to solve their spending problem. We ended up with virtually no reductions in total spending.

This year, I worked very hard on policies that would put people back to work by reforming the costly and inefficient workers’ compensation and unemployment insurance systems. Employers were hit with just under \$500 million in new payroll taxes this year – money that could have been spent to hire and retain employees. As a small-business owner, I understand the situation. I have outlined my proposals in this update.

I represent you year-round, so please do not hesitate to call or e-mail my district office anytime. Your input is very important and has a direct affect on the many issues facing our state and communities. Thank you, again, for allowing me to serve as your state representative.

Sincerely,

Rep. Cary Condotta



2010 Legislative Review



Rep. Cary Condotta rises to speak during the debate to repeal I-960 on the House floor.



REPEALING THE TAXPAYER PROTECTION ACT (I-960)

In a move that riled voters and will impact family budgets, Democrats voted to scrap the Taxpayer Protection Act (Initiative 960) by passing Senate Bill 6130. With the initiative overturned, they were able to raise taxes at will with a simple majority vote.

I believe I-960 was a 'stop' sign for government – stop the spending and stop the taxing. Other states like California did not get that message until it was too late. Government must be smart and competitive, but the majority party blew through the 'stop' sign that is I-960 and charged down a dangerous path by increasing taxes on employers and citizens to support a government that is consuming the very private sector that finances it.

QUICK FACTS ON I-960:

- The Taxpayer Protection Act passed in 2007 with 59.2 percent of the vote in the 12th Legislative District, and 51.2 percent statewide. The law required: a two-thirds vote of the Legislature for tax increases; public e-mail notifications for tax increase proposals; and citizen advisory votes on tax increases.
- Senate Bill 6130 removed the two-thirds vote requirement of the Legislature for tax increases immediately and notification of legislator votes on tax measures in voters' pamphlets. It also removed the public advisory vote on tax increases. The bill took effect after being signed into law by the governor in February.

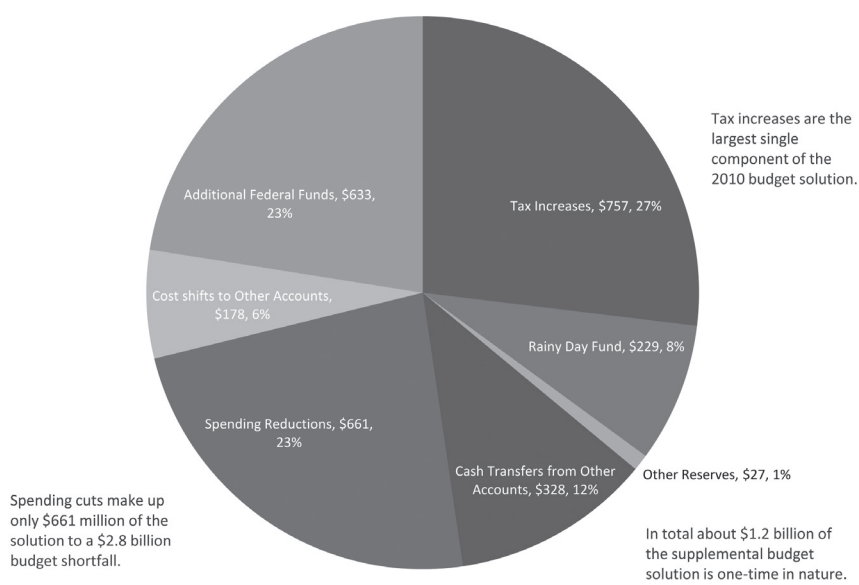
THE \$800 MILLION TAX INCREASE

Once I-960 was repealed, the way was paved to increase taxes with only a simple-majority vote of the Legislature. The tax package passed by the majority party during the special session totaled about \$800 million while virtually no reforms to government spending or programs were enacted.

The idea that somehow higher taxes and more government will lead to increased prosperity has been proven false. I voted against the tax package because government needs to live within its means, just like employers and citizens have been forced to do.

THE BUDGET BALANCING ACT

2010 Supplemental Budget Solution
General Fund-State Dollars in Millions



The bottom line is that using accounting gimmicks to create a never-ending budget deficit must come to an end. While most of us have learned to live with less in these perilous times, government rolls on consuming more of the private sector that pays the bills. Unfortunately, state budget writers followed the current federal model by passing an unsustainable budget and using every trick in the book to make it look responsible. The chart to the left illustrates the unbalanced approach used to fill the \$2.8 billion spending gap.

The reason we are in this predicament is obvious – government continues to spend beyond its means and believes taxes to support the overspending are acceptable. As anyone who has taken basic accounting knows, the balance sheet doesn't lie and ours is deteriorating rapidly.

There are two choices at this point: contain excessive spending, or increase revenue through higher taxes. I think most of you have seen the

current trend, and the direction seems clear and consistent. History clearly shows we cannot tax and spend our way to prosperity. State and national leaders need to refocus on reducing debt, not increasing taxes for more unsustainable government entitlements.

Rep. Cary Condotta • 2010 Legislative Review



LOCAL JOBS BILL ONE BRIGHT SPOT FOR 12TH LEGISLATIVE DISTRICT

I am pleased to report a bright spot for the district this year. Legislation passed that will help attract high-tech data centers to rural counties and bring badly-needed construction and maintenance jobs to areas of the state with high unemployment rates.

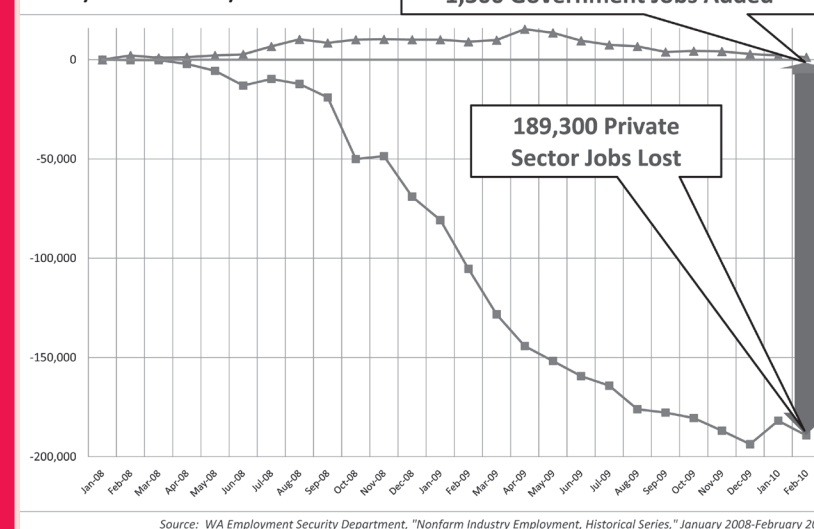
Senate Bill 6789 created a sales and use tax exemption for certain server equipment and power infrastructure needed for computer data centers. It's an example of how we can work together to help bring private-sector investment and jobs to Washington state. Our hope is this incentive keeps companies like Yahoo and Microsoft providing jobs in our region instead of other states.

Policies that encourage job creation and investment generate revenue for local governments, schools and other critical services. This incentive will continue to build stronger communities and schools in rural areas. I am pleased the state decided to get back in the competition for these very valuable assets.

JOBS AND THE ECONOMY – A VIEW STATEWIDE

Washington's Current Economic Job Trends

January 2008 - February 2010



The key to turning the economy around is private-sector job creation. We had the opportunity to create a competitive economic climate that retains and attracts employers this session. I supported policies that would ensure businesses stay in our state, investing and creating good-paying jobs. The House Republican pro-jobs plan would have:

- Reformed the workers' compensation insurance system to be more competitive with other states – this would help us retain and recruit employers through reduced payroll taxes;
- Built on the positive reforms to Washington's unemployment insurance system to ensure it is fair for employers and employees; and
- Began the process of streamlining state agencies to be customer-service oriented, rather than adversarial to employers.

Unfortunately, the current leadership in Washington and the nation's capital are committed to growing government and extracting more taxes from people to support it. The chart to the left was compiled from state Employment Security Department data to illustrate this point.

This job trend is simply unacceptable! Government does not create anything that it has not first taken from a taxpayer. It will take courage to turn this around, but I remain committed to creating opportunities for everyone and making sure employers are greeted with a welcome sign at our state border...not Idaho's.

SOLUTION: GROWING JOBS BY REFORMING HOW GOVERNMENT DOES BUSINESS

As a small-business owner, I understand how every tax increase and regulation impacts job creation and retention. This year, employers were handed a \$117 million increase in workers' compensation rates and a \$352 million increase in unemployment insurance payroll taxes. In this economy, I felt that now was the perfect time for government reforms and efficiencies.

Washington's workers' compensation system has the **second highest cost per employee** and the **third highest benefit package in the nation**. This is why I worked with Democrats to introduce House Bill 2950. This measure would have made modest changes to the workers' compensation system to make it less costly, more effective for employees and easier for employers to navigate. The

